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STRATEGIC OBJECTIVE #12 (SO12)

(Conflict Reduced in Mindanao and Other Areas Vulnerable to Violence)

Mindanao shippers see 20% rise in costs

Zamboanga City – The Mindanao Federation of Shippers' Associations (MINFESA), is bracing itself for a 20 percent increase in shipping cost from Mindanao to Manila.

It noted that there had been three freight increases in a span of one year: 9.6 percent in October 2004; 6 percent in January 2005; and 6.9 percent in July 2005, destroying the region's competitive advantages of cheap labor, high productivity and quality produce.

MINFESA also revealed that cargo handling operators in Manila's North Harbor have recently applied for an 18 percent tariff rate increase. As a result, port-related charges from Mindanao to Manila are estimated to increase by an average of 40 percent in the next year.

And factoring in the 12.49 percent upward adjustment of the domestic sea freight rate for this year alone, total shipping costs from Mindanao to Manila are expected to soar by almost 20 percent.

Compounding the problem is the non-participation of local shippers' associations in the PPA's Bids and Awards Committee for the procurement of cargo handling operators and the absence of a venue for shippers to monitor and evaluate the performance of cargo handling operators.

Vic Lagdamen, MINFESA president, described the situation confronted by Mindanao shippers as "business un-usual," as the cost of doing business has become very high, driving their production costs through the roof and limiting their ability to effectively compete in local and international markets.

"It's an uphill battle," Lagdamen said, lamenting that it is only the "big ticket" establishments who are able to negotiate for generous freight rate discounts from shipping companies - to the detriment of small shippers, who are mostly comprised of small and medium enterprises (SMEs).

Development planners underscored in a recent conference that it is high time for the domestic shipping industry to "collectively" address concerns affecting its competitiveness and avoid the usual "finger-pointing" that has characterized previous shipping dialogues and conferences.

"While we've been arguing in the Philippines (as to who is at fault), business-oriented producers, consolidators, shippers and transport companies in Singapore, Malaysia and China have been developing strategies to efficiently compete in global markets," noted John Dalton, chief of party of the USAID-funded Growth with Equity in Mindanao (GEM) Program. "They're winning; we're losing."

Dalton said that now is the time for action not action plans. He challenged conference delegates to be realistic in setting objectives.

He stressed that shipping is "all about doing business for profit. Everyone needs to make money for the system to work efficiently." Industry players must therefore focus their efforts in improving efficiencies across the breadth of the production and logistics chain.

Shippers must craft realistic strategies and dovetail them to present market realities that put a high premium on production and transport efficiency.

"No (shipping) business will change its overall dynamics to serve imaginary, low-end clients. Medium and large companies will always be the priority (of shipping companies). Theoretical cargoes of marginal companies are simply not the stuff of effective planning," he said.

He explained that this is the reason why GEM is actively promoting increased production, cargo consolidation for high value produce, and improved logistics at key ports and on improving transport vessels to move Mindanao products to markets in China and Japan.

For his part, Vic Lagdamen urged Mindanao shippers to band together and consolidate their cargoes, as this will give them the leverage to negotiate for freight rate discounts with shipping companies.

"Extra ordinary circumstances require extraordinary measures," Lagdamen said, as he also recommended the use of sugar cane ethanol as fuel additive and for local shipping companies to establish joint ventures with foreign shipping lines as novel measures to bring down sea transport costs.

(Source: Malaya Newspaper, 8/23/05, page B14)